GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:749
ANSWERED ON:17.05.2002
OVERDRAWALS BY STATES
SAVSHIBHAI MAKWANA

Will the Minister of FINANCE be pleased to state:

(a) whether the overdraft position of all State Governments worsened considerably during the current year and their accounts were frozen by the Reserve Bank of India leading to closure of treasuries for a few days;

(b) if so, the State-wise details thereof; and

(c) the main reasons for worsening of the financial position in Gujarat and in what way the Union Government propose to help the Gujarat Government?

Answer

FINANCE MINISTER IN THE MINISTRY OF FINANCE (SHRI YASHWANT SINHA)

(a) to (c): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of the Lok Sabha Starred Question No. 749 for answer on 17.05.2002 regarding Overdrawals by States.

(a) & (b) : Some State Governments have been facing temporary mismatch in their receipts and expenditure resulting in their going into overdraft with RBI.

The transaction between a State and RBI is conducted as per an agreement between the two. It is a matter of relationship between the banker and the client (between RBI and the State Government); such information is not published/made public.

(c) Rising mismatch between revenue receipts and revenue expenditure has resulted in imbalances in the cash position of States. Rising non-plan revenue expenditure, heavy debt burden, inter-alia, are factors contributing to the fiscal stress of State Governments.

In the case of Gujarat, Government of India had released in advance entitlements amounting to Rs.150 crores and Ways & Means Advance of Rs.641 crores during 2000-01 and 2001-02. Following the earthquake, the Central Government released Rs.1467.37 crores under the National Calamity Contingency Fund for immediate relief and rehabilitation. An amount of Rs.750 crores was released to the State during 2001-02 as non-plan grant. Besides, Government of Gujarat have been allowed additional market borrowings in lieu of tax free earthquake relief bonds amounting to Rs.1500 crores during 2001-02 and 2002-03. The RBI had also relaxed the Ways & Means Regulation Scheme and Overdraft Regulation Scheme till end April 2001. The Government of India has also negotiated World Bank Assistance under the Gujarat Earthquake Emergency Relief and Rehabilitation project and ADB assistance to rebuild earthquake hit Gujarat.

To supplement the efforts of the State Government to meet temporary cash imbalance, the Government of India assists the State Government through feasible advance releases of their entitlements and through ways and means advance. For fiscal consolidation, the Government of Gujarat have been enjoined to draw up their monitorable fiscal reform programme aimed at improving its financial position in the medium term in terms of the States` Fiscal Reforms Facility 2000-01 to 2004-05, in pursuance of the recommendations of the Eleventh Finance Commission.